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C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 000283

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SUBJECT: PRIME MINISTER AZIZ RAISES ECONOMIC AND CROSS-BORDER AGENDA  
WITH BOUCHER

(U) Classified By: Ambassador Ryan C. Crocker, Reasons 1.4 (b) and (d).

¶1. (C) Summary: On January 12, Assistant Secretary of State for South and Central Asian Affairs Richard Boucher met with Prime Minister Shaukat Aziz. Aziz discussed his recent visit to Afghanistan, noting that he had spent over two hours in a one-on-one meeting with Karzai, and that Karzai's agreement to close the refugee camps was a positive development. The Prime Minister was pleased with the progress being made on the Reconstruction Opportunity Zones and made another pitch for a Free Trade Agreement with the U.S., noting that President Musharraf would be writing President Bush on this topic. The Assistant Secretary urged Pakistan to focus on finalizing a Bilateral Investment Treaty and Reconstruction Opportunity Zones, rather than on an agreement whose chances of passing Congress was so slight. Aziz expressed concerns about Congressional testimony by Director of National Intelligence Negroponte regarding Al Qaeda's Pakistan network and the Democrats' 9/11 legislation, saying that such public statements are discouraging to those who are struggling against Al Qaeda. Pakistan (along with India) will send a team to Iran shortly to negotiate a pipeline deal.  
End Summary

¶2. (U) On January 12, Boucher, accompanied by Ambassador Crocker, Senior Advisor Hayden, and Econ Counselor (notetaker), met with Prime Minister Shaukat Aziz. Khalid Saeed, Principal Secretary to the Prime Minister; Zameer Akram, Additional Secretary, Prime Minister's Secretariat; and Shahid Kamal, Additional Secretary, Ministry of

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Foreign Affairs, were also present.

AFGHANISTAN

¶3. (C) Prime Minister Aziz discussed his recent trip to Afghanistan, noting that the "unfair" press reports did not accurately reflect the visit. He spent over two hours alone with Karzai, and was very blunt with him. He needed to be more consistent, Aziz told Karzai, and more supportive of Pakistan's efforts to address common problems, such as a new biometric checkpoint at the Chaman border crossing, which officials in Kandahar were reportedly discouraging Afghans from using. Karzai did agree to

the closure of Afghan refugee camps in Pakistan, Aziz continued, a step that Pakistan found very positive. There are two - one in Quetta and one near Peshawar - that must go, Aziz continued, as they are hotbeds of radicalism infecting the surrounding areas. "We have put pickets around them, but they are not 100 percent effective." Aziz stressed that financial support for resettling the refugees would be critical.

¶4. (C) The Prime Minister said that Karzai liked the idea of a Marshall Plan, but, in Aziz's opinion, there was no "economic czar" in Afghanistan capable of implementing such a program. Aziz said Pakistan could not volunteer because of the current environment, and that donors' conferences were not particularly useful, as they were not small and focused enough. He mentioned that Saleh (the head of the Afghan intelligence service) joined part of the meeting and it was clear that lack of trust was a significant issue. "That is why we like tri-partite meetings between General Kiyani, Saleh, and your people," he said. The Assistant Secretary agreed and Ambassador Crocker added that regular meetings were taking place. Aziz repeatedly characterized Karzai as a man under tremendous pressure who needed everyone's help. Aziz went on to say, "When you spend that much time with him, you understand why he sometimes says what he does." "Help us help you" was what he had told Karzai: first, reduce the reasons for crossing (i.e., eliminate the refugee camps), then target the bad guys, and finally build systems on both sides.

¶5. (C) Boucher responded that the U.S. wanted to be helpful with the jirgas, and that we were looking at ways, both militarily and through improved governance, to disrupt the Taliban. The sooner the jirgas take place, the better, in order to improve the atmosphere. The U.S. was also very supportive of resettling Afghan refugees. Aziz lamented the lack of progress on the narcotics front, opining that drug money was replacing the remittances from places like Dubai. The Assistant Secretary responded that the U.S. had a very large

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counter narcotics program, based in some respects on the Pakistani model, and that interdiction efforts were being stepped up.

#### ECONOMIC ZONES, TREATIES AND AGREEMENTS

¶6. (C) Boucher told Aziz that progress was being made on the Reconstruction Opportunity Zones and that legislation would be submitted to Congress in the coming months, on the schedule laid out during President Bush's March 2006 visit. Responding to a question from Aziz, Boucher assured him that Balochistan would be included in the proposal. While the U.S. wants to encourage joint projects across the border, the main point of the zones is to improve overall economic conditions, and the initial focus would likely be along the Peshawar-Jalalabad corridor. The product mix would be fairly broad and include some textiles. Boucher said that the legislation should have quite substantial bipartisan support as a counter terrorism measure, but that there could be problems in the two trade committees because of textile sensitivities. The Prime Minister assured the Assistant Secretary that the Government of Pakistan would promote the zones "very intensely."

¶7. (C) On the Bilateral Investment Treaty, Boucher told Aziz that signing the treaty would be very important for investors and we wanted it to be finalized; but it wouldn't resolve the impasse to treat it as the first stage of a Free Trade Agreement. Political prospects for passing any trade agreements are pretty dim in Congress right now, so it was more important to concentrate on the zones and the Bilateral Investment Treaty, before starting discussions on a free trade agreement. Aziz responded that Pakistan would like a level playing field and that President Musharraf would be writing President Bush next week on the subject.

#### BOTHERED BY NEGROPONTE REMARKS

¶8. (C) Aziz explained that he had been voted to "formally record" his government's concern with statements the previous day by Director of National Intelligence John Negroponte before a Senate committee linking Pakistan with Al Qaeda, and said the Government of Pakistan would be issuing a statement rebutting the remarks shortly. He said that such public statements discouraged those who had been

doing so much to fight Al Qaeda and were better made in private. Boucher replied that the remarks were consistent with what Pakistani officials had been saying, and urged Aziz to look at the full statement rather than relying on press reports. The Prime Minister also expressed concern about the 9/11 resolution bill currently being considered by Congress. Boucher replied that the House had moved the bill through in a fashion that precluded our input, but that amendments could best be made while the Senate was considering it, and that we would be coordinating with the Pakistani embassy in this regard.

IRAN

¶9. (C) Aziz mentioned that he had recently met with the Iranian Minister of Health. He gave the message that Iran should adhere to the principles it had committed to when it had signed the Non Proliferation Treaty, and work through the International Atomic Energy Agency and diplomatic channels. The Prime Minister said that a team of Pakistani and Indian negotiators would be going to Tehran on January 22 for pipeline discussions, commenting ruefully that Iran drove a hard bargain, but that Pakistan urgently needed more energy options.

¶10. (U) This cable was coordinated with SCA - Caitlin Hayden.

Crocker